

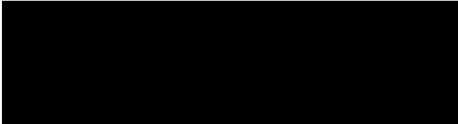
**Internal Revenue Service**

**Department of the Treasury**

**Regional Counsel Mid-Atlantic Region**

**Address any reply to  
Appeals Office indicated  
below.**

**CERTIFIED MAIL**



**Employer Identification No.**



**Form Number:**



**Tax Years:**



**Key District:**



**Person to Contact:**



**Contact Telephone Number:**



**Dear [REDACTED]:**

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s): Section 1.501(C)(3)-1(d)(1)(ii) of the Income Tax Regulations states that an organization is not organized or operated for section 501(c)(3) purposes unless it serves public rather than private interests.

Therefore, to meet the requirements of this section, the organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family shareholders of the organization, or persons controlled directly or indirectly by such private interests. Even when an organization has an exempt purpose, it will not be considered to be operating exclusively for such a purpose if more than an insubstantial part of its activities serve a private individual or interest.

A charitable organization or trust must be set up for the benefit of an indefinite class of individuals, not for specific persons. A trust or corporation organized and operated for the benefit of specific individuals is not charitable, regardless of any established financial need.

Although your organizational document indicates that your purpose, is to aid children found in similar circumstances to [REDACTED], [REDACTED], there is no evidence of ongoing activity to aid other than [REDACTED]. The funds thus far collected and planned for the next five years have been earmarked for the education of this one child. Consequently, you have not demonstrated that your operation serves a public rather than a private benefit.

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with our key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitioners for declaratory judgment.

We will notify the appropriate State officials of this action, as required by Code section 6104(c).

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

[REDACTED]

Associate Chief  
Appeals Office

Mid-Atlantic Regional Appeals Office  
[REDACTED]

Internal Revenue Service

Department of the Treasury

District  
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date: JUN 12 1989

Dear Applicant:

We have completed our review of your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Your organization was formed under Articles of Incorporation on [REDACTED] in the State of [REDACTED] for the purpose of bringing to the United States of America for a secondary, graduate and/or post graduate education, qualified individuals who would be unable to obtain such educational opportunities due to prejudice, poverty or war in their native country.

To date, the activities of the organization have centered around the concern of bringing [REDACTED] of your organization to the United States from [REDACTED]. This child's life has been endangered by prejudice against the minority to which he belongs. Schools for him in his land are no longer open. This child is now in the United States and attending school.

You indicate that your future activities may consist of fundraising, solicitation of scholarships, testing children for eligibility for your program and provision of travel and college expense for the individuals.

Your income has been derived from contributions, a fundraising cabaret event and operation of a concession stand.

Your expenses have consisted of travel, tuition, school supplies, health insurance for the [REDACTED] and operational costs of goods sold at fundraising events.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, educational and other stated purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

[REDACTED]

Section 1.501(a)-(1)(c) defines private shareholder or individual as persons having a private interest in the activities of the organization. To be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more purposes specified in section 1.501(c)(3)-1(a)(1). If any organization fails to meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(d)(ii) of the Income Tax Regulations states that an organization is not organized or operated for section 501(c)(3) purposes unless it serves public rather than private interests.

Therefore, to meet the requirements of this section, the organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly by such private interests. Even when an organization has an exempt purpose, it will not be considered to be operating exclusively for such a purpose if more than an insubstantial part of its activities serve a private individual or interest.

A charitable organization or trust must be set up for the benefit of an indefinite class of individuals, not for specific persons. A trust or corporation organized and operated for the benefit of specific individuals is not charitable, regardless of any established financial need.

Revenue Ruling 67-367, Cumulative Bulletin 1967-2, page 188 states that when an organization is established to provide scholarships to needy students, the individuals receiving the distributions from these funds cannot be pre-selected or specifically named individuals since this type of distribution serves the private interests of the individuals rather than public benefit as required by section 501(c)(3).

In Wendy L. Parker Rehabilitation Foundation, Inc. v. Commissioner, 52 TCM, 1986-348, a nonprofit trust providing care and treatment of coma victims in various stages of recovery was denied exemption from taxation. In this case a substantial amount of the organization's funds were used to pay for the medical expenses of Wendy Parker, the daughter of the founders and creators of the organization. The court ruled that the organization failed to meet the private inurement test of section 501(c)(3) since the payment of benefits for the care of Wendy Parker constituted inurement of benefits to specified, private individual.

[REDACTED]

Although your organizational document indicates that your purpose is to aid children found in similar circumstances to [REDACTED], [REDACTED], there is no evidence of ongoing activity to aid other than [REDACTED]. The funds thus far collected and planned for the next five years have been earmarked for the education of this one child. Consequently, you have not demonstrated that your operation serves a public rather than a private benefit.

Based on the information submitted, we have determined that you are not entitled to exemption under section 501(c)(3) of the Internal Revenue Code and are a taxable entity. You are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days from the date of this letter, as explained in the enclosed Publication 892, this will become final and a copy of this letter will be sent to the appropriate state officials in accordance with section 6104(c) of the Internal Revenue Code. Further, if you do not appeal this determination within the time provided, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides, in part, that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely, [REDACTED]

[REDACTED]  
District Director

Enclosure: Publication 892

cc: State Attorney General [REDACTED]